



J + S Limited
Report and Financial Statements
Year Ended 30 September 2009

Company Registration Number 3753462

J + S Limited

Report and Financial Statements

Year Ended 30 September 2009

Contents	Page
Officers and Professional Advisers	1
Directors' Report	2
Independent Auditor's Report to the Shareholders	7
Profit and Loss Account	9
Balance Sheet	10
Cash Flow Statement	11
Notes and Accounting Policies	12

J + S Limited

Officers and Professional Advisers

The Board of Directors

H W Warren - Chairman
D L Jeffries - Managing Director
E L Abretti
M Blair
K W Hanley
D A Sedge
A V Toms

Company Secretary

K W Hanley

Registered Office

Riverside Road
Pottington Business Park
Barnstaple
Devon
EX31 1LY

Auditor

Francis Clark
Chartered Accountants & Statutory Auditor
Vantage Point
Woodwater Park
Pynes Hill
Exeter
EX2 5FD

Bankers

Royal Bank of Scotland
59 High Street
Exeter
EX4 1LF

Solicitors

Michelmores
Woodwater House
Pynes Hill
Exeter
EX2 5WR

J + S Limited

Directors' Report

Year Ended 30 September 2009

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 30 September 2009.

Principal Activities

The principal activity of the company during the year was the design, manufacture and support of acoustic, electro-mechanical and data network systems for customers who service harsh physical environments and who require high integrity solutions.

Review of the Business and Future Developments

In September 2009, following a full competition, the company was awarded a major order from the Ministry of Defence to provide equipment support services to a wide range of naval assets grouped together as Miscellaneous Sonar Equipments.

The contract will initially run from October 2009 until March 2019 and J+S will provide the equipment support services on a Contracting For Availability (CFA) basis, whereby the company is paid a fixed monthly fee for the service provision and effectively assumes the asset management and availability risk on behalf of the customer. The contract has an initial headline value of £13.9million.

The company is experienced in the use of this contracting methodology having provided sonar support services to Thales Underwater Systems Ltd since 2004 on a similar basis.

The company was also awarded a contract from the Ministry of Defence for the upgrade of the Highway Controller Health Monitor which monitors the real time performance of the Combat Systems Highway (CSH). The CSH is fitted to a number of RN surface fleet platforms most notably the Type 23 frigate class. This development contract with an order value of approximately £750k is particularly significant since it marks the first stage in a programme to provide an incremental upgrade to the capability of the CSH.

Separately, the company has begun funding an internal development programme targeted at significantly increasing the volume of data that can be transmitted on the highway.

Notwithstanding the award of the Miscellaneous Sonar Equipments support contract and the HCHM Upgrade programme, the UK naval support market remained challenging with naval support budgets once again subject to severe cost constraints.

By contrast to the trading conditions experienced in the UK naval support markets the export markets both direct and indirect that the company addresses remained buoyant. In particular, activity on the Canadian refit programme for the Victoria class submarines once again continued at a high level and transducer orders were received from both the Chilean and Brazilian navies as they continue to refit their Type 22 frigates acquired from the Royal Navy.

The company also won a major transducer order from the Royal Netherlands Navy for a refit programme for the Dutch and Belgian M Class frigates. This was particularly significant since it is the first major export order won for a number of years that is not directly linked to the Royal Naval fleet disposal programme.

In aggregate, the company booked over £2.3m of export orders in the year. The Directors believe that export activity will continue to grow over the next few years becoming an important constituent of our naval activities.

J + S Limited

Directors' Report *(continued)*

Year Ended 30 September 2009

At just under £20.7m the Defence sector order input achievement was easily the best for many years albeit that the order input was somewhat distorted by the award of the Miscellaneous Sonar Equipments support contract. The Defence order input represented an increase of 59.4% over the order input achievement of just under £13.0m in the preceding year. In the last two years the company has booked close to £34.0m of order input for the Defence business.

Turnover in the Defence sector rose by just over 17.1% from £7.3m in 2007/8 to just under £8.6m in 2008/9. At the year-end the Defence sector order backlog stood at just under £22.9m, a £10.1m increase on the level at the beginning of the year.

The Directors believe that by focussing marketing resources on the naval export programmes referred to above as well as continuing to develop relationships with prime contractors such as Thales the company continues to be well placed to withstand the ongoing impacts of a weak UK naval support market.

Demand in the oil and gas sector was mixed in the year, not entirely unsurprisingly given the oil price oscillations from a low of around \$30 to a high of around \$120 per barrel in the period. As a consequence activity levels with Talisman Energy who had previously been our main customer fell back sharply and the Aberdeen based Oil and Gas business refocused their activities concentrating on both broadening the customer base and expanding their range of products and services on offer in their marketplace.

During the year a major investment programme was completed at Aberdeen with the refurbishment of the offices and workshops and the implementation of a standalone ERP system for the business. There is now a full management team resident in Aberdeen charged with the profitable development of the business.

Turnover in this sector increased by 17.6% to just under £1.9m from just over £1.6m in the previous year. Whilst this was broadly a satisfactory outturn given the volatility of the oil price, the Directors continue to believe that stronger growth can be achieved in the oil and gas sector and have put the investments in place in terms of both management and infrastructure with a view to realising fully the growth potential of the business.

Having entered the wave and tidal energy segments of the marine renewable energy marketplace, the company won its first order to provide sub-sea electrical connection housings for the EMEC wave and tidal hub sites situated off the Orkney Islands.

The Directors have now created a standalone business unit with a dedicated General Manager to focus on the marine renewable energy market and have developed a range of sub-sea electrical connectivity and position and load monitoring solutions for this marketplace.

The company recorded an operating profit for the year of £815k (2008 – £87k) on turnover of just under £10.9m (2008 - £8.9m). Given the depths of the economic recession and the extreme volatility of the oil price in the year the Directors believe this is a highly creditable performance.

Capital investment was again constrained rising modestly to £262k from £221k in the prior year. The bulk of the capital investment was expended in completing the refitting out of the Aberdeen premises and purchasing the new ERP system for the Oil and Gas business.

At the year end the company employed 117 staff (September 2008 – 113).

During the year the company paid down net debt by £952k and closed the year with total net debt including Mezzanine Debt, Finance Lease and Hire Purchase commitments of £590k compared to net debt of £1,543k at September 30 2008.

J + S Limited

Directors' Report *(continued)*

Year Ended 30 September 2009

With a General Election due by May 2010 to be followed in due course by a full Strategic Defence Review, the first since 1996, the Directors believe activity in the core UK naval support market will inevitably continue to be curtailed for some time to come. Nonetheless the company benefits from a relatively strong position in this market with a number of long-term support contracts now in place.

By contrast, activity levels in the naval defence export markets are, the Directors believe, likely to remain strong over the coming period and our defence business development activities are increasingly focussed on exploiting these export market opportunities.

The Directors look forward with some confidence to further profitable growth in the Oil & Gas support sector in the coming year and managing the challenges of developing the business.

Activity levels in the wave and tidal energy sectors of the Marine Renewables market place are also likely to be buoyant over the coming year although the Directors remain cautious about the speed with which funding will be available to the programmes currently planned or underway.

Overall, the Directors believe that the actions they have taken in the market sectors in which the company operates should leave the company well positioned to manage the growth challenges of the Oil & Gas support business and the Naval defence export markets. The directors also believe the company is well placed to take advantage of any upturn in activity in the UK Naval support market and the emerging wave and tidal energy sectors of the Marine Renewables market place.

Board Membership

On November 18 2008, Mr Stephen Damant and Mr Alan Hayman resigned from the Board and Mr Henry Warren was appointed Chairman of the Board replacing Mr Hayman.

Mr Doug Sedge was appointed to the Board as a non-executive director on March 17 2009.

Risk Management objectives and policies

The principal business risks encountered by the company in the ordinary course of its business relate to contract delivery performance particularly on development contracts with a high engineering contract and liquidity risk.

Each sales contract is allocated a dedicated project manager, whose responsibility it is to ensure the programme is delivered to schedule and to cost. Risk registers are prepared and maintained for all contracts with any degree of technical complexity. Any variances to the programme are reported at least monthly when the forecast cost to complete for each sales contract is revised. Performance on the major sales contracts are reviewed at Director and Managing Director level together with the Engineering Manager at monthly and bi monthly intervals.

The contract reviews referred to above include a review of the contract cash flows and project managers are tasked to minimise the working capital financing required for their projects wherever appropriate. This is achieved through the negotiation of progress payments from customers and managing the supplier delivery schedules.

As a Small and Medium Sized Enterprise (SME), J+S bears the normal level of liquidity risk of any company of its size. To manage this risk the Financial Director prepares monthly a rolling six-month cash flow forecast for review by the Board. The company's bankers receive monthly Management Accounts including cash flow forecasts and a commentary on key performance issues.

Results and Dividends

The profit for the year, after taxation, amounted to £556,000. The directors have not recommended a dividend.

J + S Limited

Directors' Report *(continued)*

Year Ended 30 September 2009

Directors

The directors who served the company during the year were as follows:

H W Warren - Chairman
D L Jeffries - Managing Director
E L Abretti
M Blair
K W Hanley
A V Toms
D A Sedge (Appointed 17 March 2009)
A N Hayman (Retired 18 November 2008)
S H Damant (Retired 18 November 2008)

Directors' Responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

J + S Limited

Directors' Report *(continued)*

Year Ended 30 September 2009

Auditor

Francis Clark were appointed as auditor during the year and a resolution to reappoint them will be put to the shareholders.

Registered office:
Riverside Road
Pottington Business Park
Barnstaple
Devon
EX31 1LY

Signed by order of the directors

24 November 2009

K W Hanley
Company Secretary

J + S Limited

Independent Auditor's Report to the Shareholders of J + S Limited

Year Ended 30 September 2009

We have audited the financial statements of J + S Limited for the year ended 30 September 2009 which comprise the Profit and Loss Account, Balance Sheet, Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's shareholders, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 5 to 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by directors; and the overall presentation of the financial statements.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on Other Matters Prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

J + S Limited

Independent Auditor's Report to the Shareholders of J + S Limited (*continued*)

Year Ended 30 September 2009

Matters on Which We are Required to Report by Exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

C J BUSH (Senior Statutory Auditor)

For and on behalf of

Francis Clark

Chartered Accountants

Vantage Point

Woodwater Park

Pynes Hill

Exeter

EX2 5FD

24 November 2009

Statutory Auditors

J + S Limited

Profit and Loss Account

Year Ended 30 September 2009

	Note	2009 £000	2008 £000
Turnover	2	10,865	8,918
Cost of sales		(8,254)	(6,866)
Gross Profit		2,611	2,052
Administrative expenses		(1,796)	(1,965)
Operating Profit	3	815	87
Attributable to:			
Operating profit before exceptional items		815	338
Exceptional items	3	–	(251)
		815	87
Interest payable and similar charges	6	(94)	(94)
Profit/(Loss) on Ordinary Activities Before Taxation		721	(7)
Tax on profit/(loss) on ordinary activities	7	(165)	(7)
Profit/(Loss) for the Financial Year		556	(14)

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

J + S Limited

Company Registration Number 3753462

Balance Sheet

30 September 2009

	Note	2009 £000	2008 £000
Fixed Assets			
Intangible assets	8	82	–
Tangible assets	9	872	798
		<u>954</u>	<u>798</u>
Current Assets			
Stocks	10	1,633	1,531
Debtors	11	1,902	1,708
Cash at bank		83	13
		<u>3,618</u>	<u>3,252</u>
Creditors: Amounts falling due within one year	12	<u>(2,809)</u>	<u>(2,625)</u>
Net Current Assets		<u>809</u>	<u>627</u>
Total Assets Less Current Liabilities		<u>1,763</u>	<u>1,425</u>
Creditors: Amounts falling due after more than one year	13	(355)	(659)
Provisions for Liabilities			
Deferred taxation	16	(67)	–
		<u>1,341</u>	<u>766</u>
Capital and Reserves			
Called-up equity share capital	20	172	172
Share premium account	21	303	303
Capital redemption reserve	21	210	210
Profit and loss account	21	656	81
Shareholders' Funds	21	<u>1,341</u>	<u>766</u>

These financial statements were approved by the directors and authorised for issue on 24 November 2009 and were signed on their behalf by:

.....
D L Jeffries - Managing Director

J + S Limited

Cash Flow Statement

Year Ended 30 September 2009

	Note	2009 £000	2008 £000
Net Cash Inflow from Operating Activities	22	1,373	72
Returns on Investments and Servicing of Finance	22	(94)	(85)
Taxation	22	5	–
Capital Expenditure and Financial Investment	22	(300)	(200)
Cash Inflow/(Outflow) Before Financing		984	(213)
Financing	22	(386)	423
Increase in Cash	22	598	210

J + S Limited

Notes and Accounting Policies

Year Ended 30 September 2009

1. Accounting Policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention.

(b) Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised.

Contract Revenue

Revenue is recognised on contracts in line with milestones being achieved.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

Interest income

Revenue is recognised as interest accrues using the effective interest method.

(c) Research and development

Development expenditure in clearly defined projects whose outcome can be assessed with reasonable certainty is capitalised and amortisation is commenced in the year the related project is brought to the market by reference to the life of the project. All other Research and development expenditure is written off in the year in which it is incurred.

(d) Fixed assets

Tangible fixed assets are initially recorded at cost.

(e) Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold Improvements	-	over 3-10 years
Plant & Machinery	-	over 4-10 years
Motor Vehicles	-	over 4 years
Computer Equipment	-	over 3-5 years

(f) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for resale - purchase cost on a first-in, first-out basis.
Work in progress and finished goods - cost of direct materials and labour, plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

J + S Limited

Notes and Accounting Policies

Year Ended 30 September 2009

1. Accounting Policies *(continued)*

(g) Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

(h) Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the Profit and Loss Account on a straight line basis.

(i) Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the Profit and Loss Account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

(j) Operating lease agreements

Rentals payable under operating leases are charged in the Profit and Loss Account on a straight line basis over the lease term.

(k) Pension costs

The company operates a defined contribution pension scheme. Contributions are charged in the Profit and Loss Account as they become payable in accordance with the rules of the scheme.

(l) Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at that balance sheet date. All differences are taken to the profit and loss account.

(m) Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using the Black-Scholes pricing model. At each balance sheet date the cumulative expense is calculated, representing managements' estimate of the extent to which the vesting period had expired.

J + S Limited

Notes and Accounting Policies

Year Ended 30 September 2009

1. Accounting Policies *(continued)*

(n) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associated and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

2. Turnover

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2009	2008
	£000	£000
United Kingdom	9,691	7,363
USA	40	135
Europe and rest of world	1,134	1,420
	<u>10,865</u>	<u>8,918</u>

Turnover, which is stated net of value added tax, represents the value of work done on contracts and projects.

Turnover is attributable to one continuing activity, the design, manufacture and support of acoustic, electro-mechanical and data network systems.

J + S Limited

Notes and Accounting Policies

Year Ended 30 September 2009

3. Operating Profit

Operating profit is stated after charging:

	2009	2008
	£000	£000
Depreciation of owned fixed assets	153	176
Depreciation of assets held under hire purchase agreements	21	22
Loss on disposal of fixed assets	1	6
Auditor's remuneration		
- audit fees	22	23
- taxation	3	3
Exceptional items – Restructuring costs	-	251
	<u> </u>	<u> </u>
Operating lease costs:		
- Plant and equipment	3	2
- Other	431	431
Research and development	40	26
	<u> </u>	<u> </u>

4. Particulars of Employees

The average number of staff employed by the company during the financial year amounted to:

	2009	2008
	No	No
Number of production staff	73	71
Number of administrative staff	44	47
	<u> </u>	<u> </u>
	117	118
	<u> </u>	<u> </u>

The aggregate payroll costs of the above were:

	2009	2008
	£000	£000
Wages and salaries	3,629	3,346
Social security costs	357	347
Pension costs	163	157
Equity-settled share-based payments	19	19
	<u> </u>	<u> </u>
	4,168	3,869
	<u> </u>	<u> </u>

J + S Limited

Notes and Accounting Policies

Year Ended 30 September 2009

5. Directors' Remuneration

The directors' aggregate remuneration and other payments in respect of qualifying services were:

	2009	2008
	£000	£000
Aggregate remuneration	465	482
Value of company pension contributions to money purchase schemes	31	32
Compensation for loss of directorship	–	90
	<u>496</u>	<u>604</u>

Remuneration of highest paid director:

	2009	2008
	£000	£000
Total remuneration (excluding pension contributions)	103	111
Value of company pension contributions to money purchase schemes	15	7
	<u>118</u>	<u>118</u>

The number of directors who accrued benefits under company pension schemes was as follows:

	2009	2008
	No	No
Money purchase schemes	<u>5</u>	<u>7</u>

6. Interest Payable and Similar Charges

	2009	2008
	£000	£000
Interest payable on bank and other borrowings	91	91
Finance charges payable under Finance Lease and Hire Purchase	3	3
	<u>94</u>	<u>94</u>

J + S Limited

Notes and Accounting Policies

Year Ended 30 September 2009

7. Taxation on Ordinary Activities

(a) Analysis of charge in the year

	2009	2008
	£000	£000
Current tax:		
UK Corporation tax based on the results for the year at 28% (2008 - 20.50%)	85	-
Over/under provision in prior year	-	(5)
Total current tax	85	(5)
Deferred tax:		
Origination and reversal of timing differences	80	12
Total deferred tax (note 16)	80	12
Tax on profit/(loss) on ordinary activities	165	7

(b) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is lower than the relevant standard rate of corporation tax in the UK of 28% (2008 - 20.50%). The differences are reconciled below:

	2009	2008
	£000	£000
Profit/(loss) on ordinary activities before taxation	721	(7)
Profit/(loss) on ordinary activities by rate of tax	202	(1)
Disallowed expenses and non taxable income	17	16
Capital allowances in excess of depreciation	(42)	(4)
Adjustments in respect of previous period	2	(5)
Other	-	1
Additional deduction for R&D expenditure	(26)	-
Marginal relief	(20)	-
Losses utilised	(48)	(12)
Total current tax (note 7(a))	85	(5)

J + S Limited

Notes and Accounting Policies

Year Ended 30 September 2009

8. Intangible Fixed Assets

	Development expenditure £000
Cost	
Additions	82
At 30 September 2009	<u>82</u>
Amortisation	
At 1 October 2008 and 30 September 2009	—
Net Book Value	
At 30 September 2009	<u>82</u>
At 30 September 2008	<u>—</u>

Development expenditure capitalised in the year will be amortised from 2009/10 over its expected useful life of 5 years.

9. Tangible Fixed Assets

	Leasehold Property £000	Plant & Machinery £000	Motor Vehicles £000	Fixtures & Fittings £000	Total £000
Cost					
At 1 October 2008	591	755	84	751	2,181
Additions	103	65	16	78	262
Disposals	—	—	(42)	(5)	(47)
At 30 September 2009	<u>694</u>	<u>820</u>	<u>58</u>	<u>824</u>	<u>2,396</u>
Depreciation					
At 1 October 2008	325	469	55	534	1,383
Charge for the year	53	42	14	65	174
On disposals	—	—	(28)	(5)	(33)
At 30 September 2009	<u>378</u>	<u>511</u>	<u>41</u>	<u>594</u>	<u>1,524</u>
Net Book Value					
At 30 September 2009	<u>316</u>	<u>309</u>	<u>17</u>	<u>230</u>	<u>872</u>
At 30 September 2008	<u>266</u>	<u>286</u>	<u>29</u>	<u>217</u>	<u>798</u>

Finance lease and Hire purchase agreements

Included within the net book value of £872,000 is £45,000 (2008 - £49,000) relating to assets held under finance lease and hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £21,000 (2008 - £22,000).

J + S Limited

Notes and Accounting Policies

Year Ended 30 September 2009

9. Tangible Fixed Assets *(continued)*

Capital commitments

	2009 £000	2008 £000
Contracted but not provided for in the financial statements	<u>1</u>	<u>11</u>

10. Stocks

	2009 £000	2008 £000
Raw materials	575	575
Work in progress	1,058	956
	<u>1,633</u>	<u>1,531</u>

The difference between the purchase price or production cost of stocks and their replacement cost is not material.

11. Debtors

	2009 £000	2008 £000
Trade debtors	1,623	1,469
Corporation tax repayable	–	5
Other debtors	6	3
Prepayments and accrued income	273	218
Deferred taxation (note 16)	–	13
	<u>1,902</u>	<u>1,708</u>

12. Creditors: Amounts falling due within one year

	2009 £000	2008 £000
Mezzanine Loan	150	150
Bank loan	150	200
Bank overdraft	–	528
Trade creditors	1,581	1,010
Corporation tax	85	–
Other taxation	295	247
Hire purchase agreements	18	19
Other creditors	161	111
Accruals and deferred income	369	360
	<u>2,809</u>	<u>2,625</u>

J + S Limited

Notes and Accounting Policies

Year Ended 30 September 2009

13. Creditors: Amounts falling due after more than one year

	2009 £000	2008 £000
Mezzanine Loan	338	488
Bank loans	–	150
Hire purchase agreements	17	21
	<u>355</u>	<u>659</u>

14. Creditors - Bank and Other Loans

Creditors include finance capital which is due for repayment as follows

	2009 £000	2008 £000
Amounts repayable:		
In one year or less or on demand	300	350
In more than two years but not more than five years	338	638
	<u>638</u>	<u>988</u>

	2009 £000	2008 £000
Wholly repayable within five years:		
Bank Loan	150	350
Mezzanine Loan	488	638
	<u>638</u>	<u>988</u>

The mezzanine loan is convertible in part into shares up to £200,000 on the occasion of a company float or sale, ranking pari passu in all respects with existing shares of the company then in issue.

15. Commitments under Finance Lease and Hire Purchase Agreements

Future commitments under finance lease and hire purchase agreements are as follows:

	2009 £000	2008 £000
Amounts payable within 1 year	21	23
Amounts payable between 2 to 5 years	20	22
	<u>41</u>	<u>45</u>
Less interest and finance charges relating to future periods	(6)	(5)
	<u>35</u>	<u>40</u>
Finance lease and hire purchase agreements are analysed as follows:		
Current obligations	18	19
Non-current obligations	17	21
	<u>35</u>	<u>40</u>

J + S Limited

Notes and Accounting Policies

Year Ended 30 September 2009

16. Deferred Taxation

The deferred tax included in the Balance sheet is as follows:

	2009	2008
	£000	£000
Included in debtors (note 11)	-	(13)
Included in provisions	<u>67</u>	<u>-</u>
	<u>67</u>	<u>(13)</u>

The movement in the deferred taxation account during the year was:

	2009	2008
	£000	£000
At 1 October	(13)	(25)
Profit and loss account movement arising during the year	<u>80</u>	<u>12</u>
At 30 September	<u>67</u>	<u>(13)</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2009	2008
	£000	£000
Excess of taxation allowances over depreciation on fixed assets	71	23
Tax losses available	-	(32)
other timing differences	<u>(4)</u>	<u>(4)</u>
	<u>67</u>	<u>(13)</u>

17. Share-Based Payments

Equity-settled share-based payments

EMI Share option scheme

Share options have been granted to senior executives in respect of 'C' ordinary shares. The exercise price of the options is £5. The options vest if the company achieves a cumulative profit before interest and tax target.

The contractual life of each option granted is 10 years from when vesting conditions are met. There are no cash-settlement alternatives.

The expense recognised for share-based payments in respect of employee services received during the year to 30 September 2009 is £19,200 (2008: £19,000).

J + S Limited

Notes and Accounting Policies

Year Ended 30 September 2009

17. Share-Based Payments *(continued)*

	2009		2008	
	No	WAEP (*) £	No	WAEP £
Outstanding at 1 October	32,000	5.00	-	
Granted during the year	-	-	32,000	5.00
Outstanding at 30 September	<u>32,000</u>	<u>5.00</u>	<u>32,000</u>	<u>5.00</u>

(*) Weighted Average Exercise Price

The fair value of equity-settled share options granted is estimated as at the date of grant using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the year ended 30 September 2009.

	2009	2008
Weighted average share price - £	5.00	5.00
Expected volatility - %	48.00	48.00
Expected life - years	3.00	3.00
Risk free rate - %	<u>3.73</u>	<u>3.73</u>

It is assumed that options will be exercised when vesting conditions are met. Options must be exercised within 10 years of the date that vesting conditions are met.

18. Commitments under Operating Leases

At 30 September 2009 the company had annual commitments under non-cancellable operating leases as set out below.

	2009		2008	
	Land and buildings £000	Other Items £000	Land and buildings £000	Other Items £000
Operating leases which expire:				
Within 2 to 5 years	150	-	55	3
After more than 5 years	331	-	331	-
	<u>481</u>	<u>-</u>	<u>386</u>	<u>3</u>

19. Related Party Transactions

During the year there were no material related party transactions. In the prior year motor vehicles with an aggregate market value of £33,000 were sold to certain directors for a total of £1,000.

J + S Limited

Notes and Accounting Policies

Year Ended 30 September 2009

20. Share Capital

Authorised share capital:

	2009 £000	2008 £000
Equity shares		
232,000 'A' Ordinary Shares of £1 each	232	232
60,000 'C' Ordinary Shares of £1 each	60	60
	<u>292</u>	<u>292</u>

Allotted, called up and fully paid:

	2009 No	£000	2008 No	£000
Equity shares				
'A' Ordinary Shares of £1 each	154,202	154	154,202	154
'C' Ordinary Shares of £1 each	18,000	18	18,000	18
	<u>172,202</u>	<u>172</u>	<u>172,202</u>	<u>172</u>

The 'C' ordinary £1 shares do not carry voting rights but otherwise rank pari passu with the 'A' ordinary £1 shares.

21. Reconciliation of Shareholders' Funds and Movement on Reserves

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Profit & loss account £000	Total share - holders' funds £000
At 1 October 2007	232	231	132	700	1,295
Loss for the year	—	—	—	(14)	(14)
Share based payments credit	—	—	—	19	19
Shares issued	18	72	—	—	90
Share re-purchase	(78)	—	78	(624)	(624)
At 30 September 2008	<u>172</u>	<u>303</u>	<u>210</u>	<u>81</u>	<u>766</u>
Profit for the year	—	—	—	556	556
Share based payments credit	—	—	—	19	19
At 30 September 2009	<u>172</u>	<u>303</u>	<u>210</u>	<u>656</u>	<u>1,341</u>

J + S Limited

Notes and Accounting Policies

Year Ended 30 September 2009

22. Notes to the Statement of Cash Flows

Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	2009 £000	2008 £000
Operating profit	815	87
Depreciation	174	198
Loss on disposal of fixed assets	1	6
Increase in stocks	(102)	(452)
(Increase)/decrease in debtors	(212)	275
Increase/(decrease) in creditors	678	(61)
Equity-settled share-based payments	19	19
Net cash inflow from operating activities	<u>1,373</u>	<u>72</u>

Returns on Investments and Servicing of Finance

	2009 £000	2008 £000
Interest paid	(91)	(91)
Interest element of finance lease and hire purchase	(3)	(3)
Net cash outflow from returns on investments and servicing of finance	<u>(94)</u>	<u>(94)</u>

Taxation

	2009 £000	2008 £000
Taxation	<u>5</u>	<u>–</u>

Capital Expenditure

	2009 £000	2008 £000
Payments to acquire intangible fixed assets	(82)	–
Payments to acquire tangible fixed assets	(231)	(221)
Receipts from sale of fixed assets	13	3
Net cash outflow from capital expenditure	<u>(300)</u>	<u>(218)</u>

J + S Limited

Notes and Accounting Policies

Year Ended 30 September 2009

22. Notes to the Statement of Cash Flows (continued)

Financing

	2009 £000	2008 £000
Issue of equity share capital	–	90
Purchase of own equity shares	–	(624)
(Repayment of)/increase in loans	(350)	988
Capital element of hire purchase	(36)	(31)
Net cash (outflow)/inflow from financing	<u>(386)</u>	<u>423</u>

Reconciliation of Net Cash Flow to Movement in Net Debt

	2009 £000	2008 £000
Increase in cash in the period	598	210
Net cash outflow from/(inflow) from loans	350	(988)
Cash outflow in respect of hire purchase	36	31
Change in net debt resulting from cash flows	984	(747)
New finance leases	(31)	(18)
Movement in net debt in the period	<u>953</u>	<u>(765)</u>
Net debt at 1 October 2008	(1,543)	(778)
Net debt at 30 September 2009	<u>(590)</u>	<u>(1,543)</u>

Analysis of Changes in Net Debt

	At 1 October 2008 £000	Cash flows £000	Other changes £000	At 30 September 2009 £000
Net cash:				
Cash in hand and at bank	13	70	–	83
Overdrafts	(528)	528	–	–
	<u>(515)</u>	<u>598</u>	<u>–</u>	<u>83</u>
Debt:				
Debt due within 1 year	(350)	50	–	(300)
Debt due after 1 year	(638)	300	–	(338)
Finance Lease and Hire purchase agreements	(40)	36	(31)	(35)
	<u>(1,028)</u>	<u>386</u>	<u>(31)</u>	<u>(673)</u>
Net debt	<u>(1,543)</u>	<u>984</u>	<u>(31)</u>	<u>(590)</u>